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# PAG Said to Pay About \$250 Million for Chinese School Operator

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By Cathy Chan

(Bloomberg) — PAG Asia Capital has paid about \$250 million for Golden Apple Education Group, a Chinese company that's been embroiled in legal action brought by creditors of its former owner, according to people familiar with the matter.

The Hong Kong-based private equity firm acquired Golden Apple from Sichuan Harmony Group, a Chengdu-based property developer, the people said, requesting anonymity because the details of the transaction are private. Golden Apple became involved in legal cases brought since 2014 by Sichuan Harmony's creditors because it guaranteed some of the property developer's loans, the people added.

The sale of Golden Apple helped resolve legal claims from about 60 individuals and money lenders, some of which had foreclosed on Sichuan Harmony assets, according to an official at Sichuan Financial Assets Exchange, the state-backed entity which was appointed to lead the Sichuan Harmony debt restructuring together with PAG.

“It's highly unusual for a foreign private equity firm to buy a Chinese company undergoing court-supervised administration,” said Peter Fuhrman, the chairman of China First Capital, a Shenzhen-based investment banking and advisory firm.

The unwillingness of many Chinese creditors to write off part of their loans, a concession needed to restructure debt and give a company a new start, makes such deals “worlds away both in complexity and investment appeal” from other private equity transactions, Fuhrman said.

### **One-Child Policy**

A spokesman for PAG declined to comment. A spokeswoman for Golden Apple referred to an Aug. 25 media interview posted on the company’s website which said it is partnering with PAG and plans to invest 2 billion yuan (\$295 million) in its facilities over the next two to three years. She declined to comment further on the PAG acquisition or on the company’s legal issues.

PAG, co-founded by former TPG Capital veteran Shan Weijian, is buying Golden Apple partly because China’s move to repeal its decades-old one-child policy has bolstered the prospects of the education industry, according to the people. The Chinese government has estimated that the change is likely to add three million newborns each year. Investors have taken note, with venture capital companies conducting 10 fundraising rounds in the first half for startups in the maternity and pediatric market, according to VC Beat Research, which tracks internet health-related investment and fundraising.

### **Kindergartens**

Golden Apple operates 33 kindergartens and two primary schools, mostly based in Chengdu, with more than 12,000 students, the people said. PAG plans to expand the number of primary schools and develop secondary schooling after acquiring the business, according to the people.

Sichuan Harmony has reduced its outstanding loans from state-backed lenders from 2.5 billion yuan to 1.9 billion yuan, according to the Sichuan Financial Exchange official, who asked not to be identified by name. The company has 4.5 billion yuan of assets and will focus on its medical and community nursing- home businesses, the official added.

The market for online education services in China has also attracted overseas interest. KKR & Co. last year agreed to invest \$70 million in Tarena International Inc., which offers in-person and online classes in information technology, marketing and accounting. GIC Pte and Goldman Sachs Group Inc.

were among investors putting \$200 million into TutorGroup, a Chinese online education platform, in its third round of financing in November. CVC Capital Partners in May sold its stake in Education International Corp., China’s biggest overseas educational counselling service provider, to a consortium led by Chinese private equity fund NLD Investment LLP.